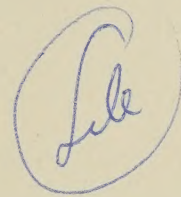


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International



**ANNUAL
REPORT
1980**

**MTS
International Services Incorporated**

MTS International Services Incorporated

and subsidiary companies

HEAD OFFICE

153 Bridgeland Avenue, Unit 1,
Toronto, Ontario. M6A 2Y6

DIRECTORS

D. J. RICCI - Chairman
R. E. DALE, Q.C.
M. PETERS
J. E. McCUTCHEON
A. STEVENSON

OFFICERS

D. J. RICCI - President, Chairman of the Board
R. E. DALE, Q.C. - Secretary

AUDITORS

MacGillivray & Co.
390 Bay Street, Suite 2400
Toronto, Ontario
M5H 2R6

BANKER

Bank of Montreal
700 University Avenue
Toronto, Ontario
M5G 1Z5

COUNSEL

Woolley, Dale and Dingwall
Toronto-Dominion Centre
Box 65, Suite 3205
Toronto, Ontario
M5K 1E7

TRANSFER AGENT

Crown Trust Company
1 First Canadian Place
Box 38
Toronto, Ontario
M5X 1G4

STOCK LISTING—Toronto Stock Exchange—Symbol M.I.S.

MTS International Services Incorporated

and subsidiary companies

REPORT TO SHAREHOLDERS

During the fiscal year ended July, 1980, the sale of the North American subsidiary was completed. This transaction resulted in the significant decrease in revenue and was the main factor contributing to the loss for the year.

The cash position of the Company improved by \$225,000 and the working capital was \$720,000.

Currently, corporate funds are invested in short-term, income bearing investments.

At the last Shareholder's meeting on March 12, 1980, the Shareholders approved, among other matters, a share exchange agreement with the shareholders of Huron Broadcasting Limited. This agreement contained several conditions which have since been fulfilled, except for the condition respecting the financing arrangements. Since our last meeting, we have actively pursued numerous alternatives including institutional lenders, investment firms and the private business sector. Due to several factors including a poor economic climate and high interest rates, this financing has proven to be more difficult than anticipated. As of this date, there are no commitments to finance, but we continue to investigate all available avenues to complete the transaction.

We are disappointed that satisfactory financing has not been available and the possibility exists that the proposed transaction with the shareholders of Huron Broadcasting Limited may not be consummated. In that event, the Company will be prepared to explore other opportunities.

D. J. Ricci
Chairman

MTS International Services Incorporated

and subsidiary companies

CONSOLIDATED BALANCE SHEET

as at July 31, 1980

ASSETS

	<u>1980</u>	<u>1979</u>
CURRENT		
Cash and short-term deposits	\$ 723,225	\$ 497,037
Accounts receivable	48,499	510,955
Income taxes recoverable	-	4,883
Prepaid expenses	<u>12,430</u>	<u>10,292</u>
	784,154	1,023,167
OTHER		
Accounts receivable, long-term	61,066	-
FIXED	-	6,432
GOODWILL	<u>-</u>	<u>105,000</u>
	<u>\$ 845,220</u>	<u>\$1,134,599</u>

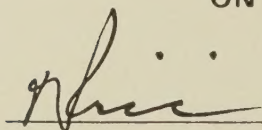
LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 57,108	\$ 305,940
Deferred revenue	<u>8,556</u>	<u>-</u>
	<u>65,664</u>	<u>305,940</u>

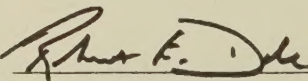
SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
3,000,000 common shares, without par value		
Issued and Fully Paid		
2,058,234 common shares (1979 - 2,059,734 shares)	681,357	681,357
RETAINED EARNINGS	<u>98,199</u>	<u>147,302</u>
	<u>779,556</u>	<u>828,659</u>
	<u>\$ 845,220</u>	<u>\$1,134,599</u>

ON BEHALF OF THE BOARD



Director



Director

MTS International Services Incorporated

and subsidiary companies

CONSOLIDATED STATEMENT OF LOSS AND RETAINED EARNINGS for the year ended — July 31, 1980

	<u>1980</u> (Note 2)	<u>1979</u>
REVENUE		
Services	\$ 821,966	\$5,409,511
Investments	<u>84,200</u>	<u>-</u>
	<u>906,166</u>	<u>5,409,511</u>
OPERATING COSTS		
Production costs	830,279	5,268,474
Administrative and general	<u>117,883</u>	<u>93,492</u>
	<u>948,162</u>	<u>5,361,966</u>
OPERATING INCOME (LOSS)	(41,996)	47,545
INCOME TAXES	<u>-</u>	<u>42,104</u>
(LOSS) INCOME BEFORE EXTRAORDINARY ITEMS	(41,996)	5,441
EXTRAORDINARY ITEMS (Note 3)	(7,107)	(19,312)
(LOSS) FOR THE YEAR	(49,103)	(13,871)
Retained earnings, beginning of year	<u>147,302</u>	<u>161,173</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 98,199</u>	<u>\$ 147,302</u>
EARNINGS PER SHARE		
Average number of shares outstanding	2,053,984	2,071,559
(Loss) earnings before extraordinary items	(2.0)c	0.3c
Net loss for the year	(2.4)c	(0.67)c

MTS International Services Incorporated

and subsidiary companies

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION for the year ended — July 31, 1980

	<u>1980</u>	<u>1979</u>
SOURCE OF FUNDS		
Operations, before extraordinary items net of non-cash charges	\$ -	\$ 46,974
Disposal of goodwill	105,000	-
Disposal of fixed assets	<u>6,432</u>	<u>5,821</u>
	<u>111,432</u>	<u>52,795</u>
APPLICATION OF FUNDS		
Operations, before extraordinary items net of non-cash charges	41,996	-
Extraordinary items (Note 3)	7,107	19,312
Accounts receivable, long-term	61,066	-
Redemption of shares (1980 - 1,500 shares, 1979 - 23,650 shares)	-	4,020
Purchase of fixed assets	<u>-</u>	<u>302</u>
	<u>110,169</u>	<u>23,634</u>
INCREASE IN WORKING CAPITAL	1,263	29,161
Working capital, beginning of year	<u>717,227</u>	<u>688,066</u>
WORKING CAPITAL, END OF YEAR	<u>\$ 718,490</u>	<u>\$ 717,227</u>

MTS International Services Incorporated

and subsidiary companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at July 31, 1980

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

- (a) The consolidated financial statements include the accounts of MTS International Services Incorporated and all subsidiary companies.
- (b) Foreign currencies have been translated to Canadian Funds on the basis that balance sheet historic items have been translated at historic rates. All other balance sheet items have been translated at year end rates, revenues and expenses at average rates for the year. Unrealized exchange gains of \$22,312 are reflected in the Consolidated Statement of Earnings.

NOTE 2: DISCONTINUED OPERATIONS

Effective September 30, 1979 the Company disposed of its remaining operations in North America and France. Accordingly, the consolidated statement of loss reflects the results of business operations for two months, and investment operations for the subsequent ten month period.

NOTE 3: EXTRAORDINARY ITEMS

	<u>1980</u>	<u>1979</u>
(Loss) gain on sale of operations -		
North America	(\$ 24,806)	\$ -
France	17,699	-
South Africa	<u>-</u>	<u>(32,312)</u>
	(7,107)	(32,312)
Recovery of income taxes arising from carry forward of prior years losses	<u>-</u>	<u>13,000</u>
	<u>(\$ 7,107)</u>	<u>(\$ 19,312)</u>

Cont'd.....

MTS International Services Incorporated

and subsidiary companies

NOTE 4: INCOME TAXES

In certain subsidiary companies losses of \$128,000 expiring in 1981 and 1982, remain deductible in determining income taxes payable in future years.

NOTE 5: STATUTORY INFORMATION

The aggregate direct remuneration of the directors and senior officers of the Company as defined by The Business Corporations Act (Ontario) is as follows:

	<u>1980</u>	<u>1979</u>
Directors' fees	\$ 2,100	\$ 9,000
Senior officers' remuneration	<u>28,015</u>	<u>154,552</u>
	<u>\$ 30,115</u>	<u>\$ 163,552</u>

MTS International Services Incorporated

and subsidiary companies

AUDITORS' REPORT

To the Shareholders of
MTS International Services Incorporated
and subsidiary companies:

We have examined the consolidated balance sheet of MTS International Services Incorporated as at July 31, 1980 and the consolidated statements of loss and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MacGILLIVRAY & Co.
Chartered Accountants

Toronto, Ontario.
December 11, 1980.



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International

MTS International Services Incorporated